

FINAL TRANSCRIPT

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ORASYP - Q4 & Full Year 2009 ORASCOM TELECOM S A E Earnings Conference Call

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PRESENTATION

Operator

Thank you for standing by and welcome to the Orascom Telecom. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session (Operator instructions). I must advise you that this conference is being recorded today, Tuesday, 16 March, 2010. I would now like to turn the conference over to your speaker today, Sean Gardiner of Morgan Stanley. Please go ahead, sir.

Sean Gardiner - Morgan Stanley - Analyst

Thank you very much. Good morning and good afternoon, all, and thank you for joining this Morgan Stanley-hosted call for Orascom telecom's 2009 results. We'll start with no Noha Khalil, who is head of investor relations. She will run through the disclaimers, and then we'll move on to the management speech. So Noha, if you can go ahead, thanks.

Noha Khalil - Orascom Telecom Holding S.A.E. - Head of IR

Good afternoon, ladies and gentlemen. Good morning to those of you connecting from the US and welcome to the Orascom Telecom full year 2009 results conference call. Before starting the call I would like to make the standard forward-looking Safe



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Harbor statements. The forward-looking statements made on this call are expectations based on reasonable assumptions. These forward-looking statements are subject to numerous risks and uncertainties. These statements may not be regarded as a representation of anticipated results, which will occur on our expected objectives. The forward-looking statements are only valid until this date, and Orascom Telecom does not undertake to update these in any form.

I now have the pleasure to introduce our speakers today -- Mr. Naguib Sawiris, Executive Chairman; Mr. Khaled Bichara, Chief Executive Officer; and Mr. Aldo Mareuse, Chief Financial Officer. With that, I would like to hand the call over to Mr. Naguib Sawiris.

Naguib Sawiris - *Orascom Telecom Holding S.A.E. - Executive Chairman*

Welcome, everybody. I'm not going to speak a long time. I'm not, anymore, the CEO of this Company, so I have to leave room to my colleague, Mr. Bichara, to answer all your questions. My advice to everybody here is to remember the Orascom Telecom story. It's a long-term story; it's not a short-term story. So with that comment, I will leave Mr. Bichara to answer all your questions.

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

Good evening, everybody, and good morning to our friends from the US. We're here today representing Q4 results and full-year '09. We believe that [working] based on our plans on improving our network qualities in all our -- stabilizing our revenues in markets like Pakistan, where we (technical difficulty) an initial decline in the previous year, focusing on user stimulation and quality of networks. We had throughout '09 a couple of programs in our subsidiaries improving our network quality.

We are closing the year with very good comparisons in most of the subsidiaries in terms of trends into closing the year, and we see these trends [continues] coming into this year. I think the surprise in Algeria that they are a bit of a strain on the results in terms of Q4 results in Algeria. But other than that, most of our other operations are doing quite fine, as planned.

We are still focused very much on generating new customers, but also now more and more focused on the usage per customer, on the quality of the network [surviving]. And as a group we are now very, very focused on value-added services and new services we can give to our customers.

If you look at the growth in most of our markets in local currency, you will see significant growth that has been hampered a bit on the rates of dollar to local currencies in these markets.

Again, we believe that this, in moving forward, the delta on the dollar is also improving in our favor. I would (inaudible) high level, leave that to Aldo to go into the exact number detail.

We have -- again, in some markets you will see us growing faster quarter by quarter, like Bangladesh, where we are having now a mixed strategy of growth where we grow very fast and then consolidate this growth because very fast growth in markets like this incurs a lot of subsidies in terms of (inaudible). You will see that we are combining now this strategy of growing and then consolidating the position and then continuing to grow again.

With that, I'll leave it to Aldo to go through the numbers.

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

Good morning and good afternoon. I think you all have received the earnings release, so I will not comment on all the tables.

So if you turn to page 6, which has a subscriber table, I think most comments, as you see, the overall subscriber has grown by 19% year-over-year. We have achieved excellent growth in Bangladesh, Egypt and Tunisia, where the growth ranged from 20%



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to 35%. In Pakistan you see that we have recovered the growth, especially if you look at the last quarters, we have recovered growth in terms of subscribers. And obviously, in Algeria, because of the events, we have just a very flat year in terms of subscriber.

If I now look to table 2, which is the ARPU, we start with the ARPU local currency. As you know, three countries have suffered some major devaluations, so it is simpler to look at the local currency evolution. So if you look at Pakistan, you see that the ARPU year over year was flat. In Algeria we see, obviously, a decline in ARPU, which is mostly due to the Q4 events, partially due also to the fact that we were not able to (inaudible) the market as much as we would have liked because of the regulator was helping us to launch new promotions. So these two effects have decreased the ARPU in local currency.

If you look at Tunisia, you see a lower ARPU. That is pertaining to the fact that we have seen a very high level of (inaudible) going to the very, very lower income segments of the market. For the rest, Egypt -- obviously, some dilution because of the growth. And as you will notice in Bangladesh, even though the growth has been tremendous, the ARPU decline is moderate.

Talking about, now, switching to market share, table 4, you see that we have maintained our number-one position everywhere. We have improved market share in Pakistan. We have improved market share in Tunisia, in Bangladesh. We've seen Algeria. We've decreased, especially in the fourth quarter, because of the events. And in Egypt, where, as you know, there is a very strong contribution due to Etisalat, we have decreased a little bit our market share there.

Turning now to the revenue side, table 6. So for the GSM we have achieved in dollar terms -- well, let me first talk -- sorry -- the local currency, which is table 7. So if you start with the Algeria, so you see a flat performance year-over-year. Obviously, if we had not had the events, we would have seen probably a growth in the very high-single digits in terms of revenues in local currency.

Pakistan, you see it flat, even though this economy was in a very difficult state last year. And Tunisia you see an excellent growth in local currency of about 12%.

I think the other thing to mention about Pakistan is that overall the year is flat, is about 1% up. But the last quarter is 5% up, so the trend is much better. This is just confirming the trend of Q3.

Looking at the other subsidiaries on table 6, you see good performance of Egypt with 6% growth year-over-year, excellent performance of Bangladesh with 22% year-over-year. So that's the picture on the revenue side.

On the EBITDA, switching first to table 9, here's the local currency comparison. Obviously the picture you saw on the revenue side is about the same on the EBITDA side. Obviously, there are some other factors, such as, in Algeria, we see the cost of the events in Q4 as well as the 5% tax on re-charge costs, which has negatively impacted the EBITDA performance. In Pakistan the EBITDA was also impacted by the cost of the utilities, especially the fuel, which, as you know, we have to use a substitute to electricity because of the shortage in the country. In Tunisia, you see a very good growth in terms of revenue, about 12%.

For the other subsidiaries, which is table 8, we have good performance like in revenue terms in Egypt and we see a very strong performance in Bangladesh, where we achieved \$120 million of EBITDA in the last year.

Going now to the margins, table 10, so the GSM margin went down from 50.5% last year to 47.8%. This is almost entirely due to the impact of Algeria. We show its margin going from 63% to 57%. We talked about this. The other factor is obviously Pakistan, for the same reason that we discussed, which is the cost of fuel.

The other subsidiaries performed really well. We have (technical difficulty) margin in Egypt, in Bangladesh. I would just draw your attention to Tunisia performance. It is not apple to apple, so actually the margin would be about the same if we had to exclude the impact of M-Link. As you might remember, M-Link was our international traffic subsidiary which was sold in 2009 to Wind. And because of the consolidation affect, it has an impact on the margin. But the margin is staple in Tunisia if you exclude this effect.



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The other -- draw your attention is obviously look at the trend in Pakistan in terms of EBITDA margin, where I know you see the confirmation of the revenue trend quarter over quarter.

Table 11 is the FX. You see that the currency in Pakistan was down 13% year-over-year, 11% in Algeria and 9% in Tunisia, which explains some of the differences that we have gone through before.

Going to the income statement, table 12, so I've talked about the revenue and EBITDA. I would just draw your attention to a couple of items. Depreciation obviously has increased year-over-year because of the increased capital expenditures. Unusual items is \$15 million, which is basically the damage of fixed assets in Algeria, of insurance proceeds, so that's a cost of about \$15 million.

Financial expense, a little bit up from last year but mostly due to the fact that, if you remember, last year we had sold our second HTIL, so the first half we didn't have the level of debt that we had, and after that we did, basically, redistribute extraordinary dividends by doing a major buyback.

FX -- we see very few changes from last year. Last year there was a huge loss due to Pakistan. This year there's not that effect, whether as we see any impact on the net financing cost.

And then share of profits, of Associates, \$47 million loss; this is obviously our share of profits of Canada, which obviously has started to scale and will only become (inaudible) positive in 2012.

On the income tax, obviously there are some provisions that were made because of the tax that deal we made in Algeria. In the \$360 million of income tax, there's a \$30 million tax provision which was the tax scheme in Algeria. And then there's about a \$20 million provision for Ring in two countries, Algeria and Tunisia, also for tax claim.

So that leads to net income of \$[379] million (see press release) for the year 2009.

Looking at the balance sheet, table 13, I think the only thing to mention is the net debt. The picture is pretty much the same as last year, where net debt is stable at about \$5.1 million. This is pre-rights issue, so if you include the \$800 million of rights issue, our leverage of net debt to EBITDA will be around two times, which is, as you know, the target we want to achieve on a long-term basis.

Turning to cash flow, table 14, so you see the net cash generated by operating activities, \$1.2 billion. The cash flow from investments is \$1.2 billion, so we are basically free cash flow neutral in the year 2009.

Last comment is obviously at the beginning of table 5, which is the CapEx. I would just comment on the fact that, as you know, in Algeria -- in Pakistan, sorry, and Bangladesh, we have reduced significantly our capital expenditure to match with the real demand, as this is obviously something that we will tweak in 2010, as we believe that these two countries will generate more subscribers and more revenues. So our CapEx to sales ratio went down from 29% to 20% from the year 2008 to 2009.

So that finishes the comments we have on the earnings release. And now I will ask the operator to see if anyone wants to ask questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions) Alex Wright, UBS.



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Alex Wright - UBS - Analyst

On CapEx, Aldo, you alluded to the likelihood of tweaking CapEx upwards in Pakistan and Bangladesh in this year. Could you give any indications on the other markets just in terms of what your thoughts are on CapEx? And specifically on Algeria, given the uncertainties that you face, what is your thinking on CapEx outlook in that market?

And the second question is just for an update on the trends in Algeria in Q1. You highlighted in the release that you face much harsher competition in the second half of the fourth quarter, that some of those promotions ended in early January. Have you seen some stabilization of the competitive environment there? Can you tell us what is happening with pricing and with your market share in the first quarter?

Aldo Mareuse - Orascom Telecom Holding S.A.E. - CFO

Well, CapEx for Algeria and Tunisia will be slightly down from last year. This is basically -- in Algeria there were some -- basically, in 2009 there were some accounting adjustments and also some catch-ups because of the (inaudible). You will see this coming down in 2010. And Tunisia also to adjust the demand, you will see some slight reduction in CapEx.

As far as the Q1 performance is concerned, obviously the very important factor is whether the impact of the November 17 crisis will have an impact on our subscribers; i.e., will they churn? Right now -- and this is only in effect because of the three months rule that we will definitely know by the end of March. All I can tell from January and February performance is we have not seen a very huge rate of churn. But obviously, the jury is still out, and we are still obviously focused very much on the March performance.

Khaled Bichara - Orascom Telecom Holding S.A.E. - CEO

Just to add, on Algeria on Q1, it's just also worth to note that in Q4 one of the reasons of the revenue decline is because of their tax. Some of our prepaid costs were stolen, so we had to deactivate all the cards in the market. So at the point in time there were no cards for people to buy and re-charge them (inaudible) mainly a prepaid market. Of course, data was fixed, and the same cost also. So that was fixed in January, where we (inaudible) the new cards and we got the same cards back. Actually, the churn so far is much better than expected. Also the gross adds -- Djezzy is now back to number one in the market.

So I don't want to paint too rosy of a picture, but we have overcome most of the challenges, operational challenges we've had so far into that market.

Alex Wright - UBS - Analyst

If I can just follow up on those questions, with regard to pricing in Algeria, as you indicated in the release, you put through some fairly significant cuts [too on] that pricing in Q4, to respond to the competitive threats. Have those lower net prices remained in place overall, or have you seen some upward adjustments?

Khaled Bichara - Orascom Telecom Holding S.A.E. - CEO

No; we had special promotions because, as I said, also there was no cards. So we had to give our users a way to use the network cheaper because actually the SIM cards for the first time (inaudible) time were sold in the black market. It's like the very good old days, we hope that. So that is being fixed.

Again, some of the very aggressive competitive moves by sort of giving away SIM cards -- it turns out, for people to use those free SIM cards (inaudible) and come back. So we really don't see that, the churn, at the level expected based on the events in



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November. We were expecting the churn to be higher, but it was very focused now for an issue of much focus on the beginning of the year on retention. Now we are back on gross adds, so we are back into the game. We are number one most of the week. We lose it [once a] time. We are at third place, [static], after the events, in terms of gross adds.

Alex Wright - UBS - Analyst

Just to follow up briefly on the CapEx question, Aldo, as I understood you expect the CapEx in Tunisia and Algeria to decline slightly this year. So if you've seen a small increase in Pakistan and Bangladesh overall, you would expect group CapEx to be fairly similar this year compared to last year?

Aldo Mareuse - Orascom Telecom Holding S.A.E. - CFO

No, to increase a little bit because, obviously, Pakistan and Bangladesh last year were at a very, very minimum level.

Operator

William Kirby, Nevsky Capital.

William Kirby - Nevsky Capital - Analyst

Following on from Alex's question about Algeria, what sort of margin do you think is sustainable there in out years? Given the lost subscriber market share, are you going to see more off-net calls, which will result in sort of mid-50s, high 50s margin? Or do you think you can get back to the levels we saw a year ago?

And then, secondly, in North Korea, has the devaluation -- is that going to change your ARPU significantly? Thank you.

Aldo Mareuse - Orascom Telecom Holding S.A.E. - CFO

On the margin, there are two effects. There's a Q4 effect where we have all the exceptionals, and as you know, in the press release we have indicated that we think that the cost is around \$55 million in the fourth quarter. So we see that's an abnormal margin in Q4.

We see one thing which we have not absorbed is a 5% tax on re-charge. So that's, in the long-term basis, is something that we have not absorbed into the margin. So that's really, I think, the only impact you will have on [DPA] margin long-term. So we were, I think, [pre-crisis], pre-tax and re-charge, we were around 63%. So I would say we will remain, on a long-term basis, on the very high 50s.

Khaled Bichara - Orascom Telecom Holding S.A.E. - CEO

That's on the market share because it's a 3% market share differential. We are still at 60% market share. So we don't think that will fundamentally change the on-net, off-net behavior of the customer.

William Kirby - Nevsky Capital - Analyst

Okay, great, thank you. And then North Korea?



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Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

So on North Korea, what we are working on now is they did not depreciate the currency; they sort of realigned it. But so far, no; it does not affect us.

William Kirby - *Nevsky Capital - Analyst*

Okay, brilliant/

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

So, basically, they sort of changed -- I don't want to say -- it's not change the currency, they changed the denomination, so every thousand became (inaudible).

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

They basically change the units, so they went from a 1000-order -- currency is now worth 1. So it's not a devaluation, per se; it's just a change of the denomination of the notes.

Operator

Rhys Summerton, Citigroup.

Rhys Summerton - *Citigroup - Analyst*

Just two questions, one on Algeria. Could you just talk a bit about your funding in Algeria at the moment, given that the operation is generating cash flow which is kind of locked in the -- so what kind of cash benefit do you have? And, are you using that cash to pay down the tax liabilities as you keep on paying the 20% increments?

And the second question is on Bangladesh. I see that you've got pretty low churn there due to reactivations. I'm just wondering why the margin was so impacted in the fourth quarter, even considering the high number of net adds that you achieved.

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

Well, yes; for the funding, yes, we are using the cash balance obviously in Nigeria to pay for the 20% payment to make us continue the appeal. So yes, that's right.

On the Bangladesh, basically, as you know, there has been some -- because of the very -- some of our competitors starting to subsidize the SIM tax again, we had to make some promotions. And these kind of promotions obviously had a major impact on the margin.

Naguib Sawiris - *Orascom Telecom Holding S.A.E. - Executive Chairman*

Just to give you a view on our SIM tax subsidies in Q3 were around \$3.5 million versus almost \$15 million of the tax impact subsidy in Q4.



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Rhys Summerton - Citigroup - Analyst

Okay, so are we going to assume a very seasonal kind of EBITDA margin going forward in Bangladesh; i.e., next year fourth quarter, are we going to see the same thing?

Khaled Bichara - Orascom Telecom Holding S.A.E. - CEO

It depends on the (inaudible) of the quarter to grow fast or to slow down. So, as I said, we grow, then we consolidate. Now we have a 4 million gap between us and the second player, 4 million customers gap and the third player. And we are continuously going to consolidate our position as a clear number two and a clear challenger [incumbent]. So you would see us, for one quarter, gaining market share or for two consecutive quarters, then [con] -- solidifying that and reducing the subsidies. And we would continue this iteration until we see how the SIM tax will -- issue will evolve, because there's always a (inaudible) to be taken out. For as long as we have been there, we haven't seen it being taken out.

Rhys Summerton - Citigroup - Analyst

Aldo, just to go back to Algeria, the CapEx -- funding of CapEx -- can you use your local cash there as well, or to do you have to use the cash pile that you've got offshore?

Aldo Mareuse - Orascom Telecom Holding S.A.E. - CFO

No, no; we use the local cash.

Operator

Kevin Roe, Roe Equity Research.

Kevin Roe - Roe Equity Research - Analyst

Switching to Tunisia, you mentioned in the prepared remarks that the EBITDA margin in the fourth quarter was impacted by seasonality. It looked like the seasonal impact was greater than previous years. Was there anything else impacting the margin in the fourth quarter? And for 2010, do you believe that the Tunisian margin is sustainable in this low 50% range?

Aldo Mareuse - Orascom Telecom Holding S.A.E. - CFO

As you know, in 2010, there will be a third entrant. We are not sure exactly when it will come, but we expect it sometime in the second quarter of 2010. So, as you know, every time there's a third entrant coming we see there is some impact on the margin on the way down. This usually lasts for a year or two before we recoup to the original level. So yes; you will see some impact in the margin in 2010 and probably in 2011.

As to Q4, basically there has been some (inaudible) [promotional] activities. So we see that having some impact on margins in Q4.



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Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

We had higher customer acquisition in Q4 than average also because, as Aldo is saying, we are preparing for the new entrants, and it's not (inaudible) [two players]. So the higher customer acquisition costs in Q4 than average, and then, as [I] said, the seasonality, Q4 in general has a lower EBITDA than Q3. So it's a combination of both.

Kevin Roe - *Roe Equity Research - Analyst*

Okay, that's helpful. And lastly, for 2010 free cash flow, you mentioned you were neutral in cash flow for 2009. Is that the goal for 2010?

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

Well, we don't have a free cash flow goal, per se. Obviously, what you will see in 2010 is, you will see a better cash flow from Algeria. You will see an improved cash flow because we are getting to scale in Tunisia, better cash flow in Egypt, probably the same picture in Bangladesh and an improved picture in Pakistan.

So thus, overall, you should see an improvement in the cash flow overall.

Operator

Sean Gardiner.

Sean Gardiner - *Morgan Stanley - Analyst*

Firstly, on Algeria, is there an update on where we are for a 2008 tax assessment, if there is any timetable for that, or if one is actually taking place?

And then, secondly, on Tunisia, where about are we in the IPO process? Is that quite imminent, or has that been delayed?

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

There's no audit on the 2008 tax, so we have not been audited. And usually we do this every five years. So there's nothing right now.

On Tunisia I would say the process is on track.

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

Just to be clear, the tax of 2008 was paid based on our books. So we submit our books, and we pay the tax that we think we should pay. And then we waited for that eventually to be audited. But it's already prepaid.

Operator

(inaudible).



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Unidentified Participant

Regarding Algeria, are we expecting revenues to come back -- ARPUs, at least -- to come back to the same level? Or, are you going to continue with the lower ARPUs or declining ARPUs? This is one thing.

And, another thing is on the provisioning for the tax. You stated that only \$30 million was provisioned in Q4. However, the first tranche was around \$120 million, I believe. So is that going to come in Q1 of 2010?

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

On the ARPU, as we mentioned, the ARPU decline was due to two major reasons in Q4 -- one, that we, because of events, a lot of the promotions we do end of the year we were not able to do; and, two, that there were no recharge cards. People could not really re-charge their phones, which affected usage. So we gave out some of the free minutes and double-your-usage type of promotions to be able to serve our customers.

So, of course, moving forward, we don't expect that to continue. And we are not seeing that in Q1. There will continue to be normal pricing pressure and the [multiple] competition. But as we've shown before, we are working on user stimulation and buckets type of offers, where the sustained ARPU are sometimes also increasing.

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

For the taxes, you have to differentiate two things -- the provision, which is what our auditors believe is the right amount that we will be settling at; and the appeal and the money that we have to put to go to an appeal. These are two different things.

So the \$30 million is what we believe is -- we might have to pay in terms of the tax [payment] for both 2004 and 2005 and 2007. The 20% that we had to make is just for us to go through the appeal process. It has nothing to do with whatever amount we might have to pay.

Unidentified Participant

Okay, I guess that's it.

Operator

Martin Mabbutt, Nomura.

Martin Mabbutt - *Nomura Securities International, Inc. - Analyst*

Just a quick question on Egypt; I wondered if you could comment on any thoughts you had about this fourth license or potential fourth license in the Egyptian market, and maybe a quick update on where we are with discussions with France Telecom on Mobinil.

Naguib Sawiris - *Orascom Telecom Holding S.A.E. - Executive Chairman*

I think we are not worried from a first license. The guys from Emirates -- when they paid \$3 billion for the third license, apparently had a clause in their agreement that no first license should be awarded before 2013 unless it's for the same price -- or '12; I'm not sure. Or whenever, you know, but in the next three years, I think. If they hold another license, they have to -- I'm not sure which is the year, but it could be '11 or '12, you know.



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Now, they said that if it's all before that, they need to ask for the same price. So if someone wants to come in and pay \$3 billion for a first license at the penetration of 80% or 90%, he can be my guest. I would rather offer him Mobinil.

Suppose that, if someone wants to come in after (inaudible) is 100%, he can join the line with H3G in Europe and see what they've got. So frankly, we are not bothered about that.

Now, on the France Telecom, it's very simple. Our position is very clear. We have won a court judgment that says they need to put the [GBP273] for a tender offer. That's the only way for them. Our position is very clear about that; this has been our position from the beginning since the year and a half of this dispute has started. They have not done that as of yet. If they want to do that, they are welcome. Our position also has not changed, that they should have done that within the 30 days period that was granted to them by the arbitration, contrary to what they said to the whole world, that we have not abided by the ruling. We did abide by the ruling; we went to the Cairo Stock Exchange, it was in the 30 days period. We submitted our shares and we asked them to execute. They have elected not to do that, for their own reasons or their own ignorance. So we have not changed our position.

If I was in their place at that time, I would have definitely taken the shares for that price.

Operator

Stephen Pettyfer, Merrill Lynch.

Stephen Pettyfer - *BofA Merrill Lynch - Analyst*

Two questions, please; one on Algeria and the second on Canada. In Algeria, Naguib, you made comments in your statement about whether -- you will consider whether or not you are welcome there, and I just wondered if you could comment on the Algerian comments recently in the news that they have a right of first refusal on any sale.

And secondly, on Canada, I wonder if you could update us, please, on the funding situation there?

Naguib Sawiris - *Orascom Telecom Holding S.A.E. - Executive Chairman*

I answered the first question, and I think Aldo will answer -- or Khaled will answer the second.

We are not taking any positions to any statements we take from Algeria, because we believe that the best way for us to engage in a dialogue with the Algerian government is face to face. And therefore, any comments which are transmitted to us via the press is really counterproductive and does not lead to any progress.

However, it is -- for transparency reason, we need really to say that we did receive a letter from the Algerian government contemplating that position. Currently, our legal teams are studying that statement, and when we have a peer resolution on whether this is correct or not, we will advise the Algerians and yourselves. But we -- we would just like everybody to know that this law has been introduced in 2009 while our investment treaty and our license dates back to 2002.

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

On Canada, we are on track. As you know, we have always said that we committed \$750 million for the venture. The [PIK] funding is about CAD1.5 billion. So we have spent about CAD500 million up to now, so we have the rest to be spent, and we are on track as far as our investment is concerned.



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Stephen Pettyfer - BofA Merrill Lynch - Analyst

In terms of the financing, there was some discussion, I think, about high-yield financing. Is that progressing?

Aldo Mareuse - Orascom Telecom Holding S.A.E. - CFO

Look, the rest of -- the gap between the \$750 million and the CAD1.5 billion is going to be financed via vendor financing, bank debt and bond debt. Obviously, we don't comment on any public debt we might issue. But obviously, that's a market we are looking at.

Operator

(Operator instructions) (inaudible), [NSI].

Unidentified Participant

With regards to Korea, there was an issue about the money transfer out of Korea. Has this been resolved yet? Because you were pending your expansion on it; this was something.

And in Q4 operating costs went up almost 11% from 900 -- which was around \$300 million. (multiple speakers) of this \$300 million -- excuse me?

Naguib Sawiris - Orascom Telecom Holding S.A.E. - Executive Chairman

Can you repeat this last part?

Unidentified Participant

Okay. In Q4, operating expenses went up around 11%, Q on Q, of which there was \$55 million which was a one-off due to the Algerian incident. Where is the rest coming from?

Khaled Bichara - Orascom Telecom Holding S.A.E. - CEO

On North Korea, just to be clear, [as with] any startup operation, the money is usually going -- holding to operation, not the reverse. Our agreement with the North Korean government is we have the right to transfer some money if we eventually generate excess money. So no; it's not affecting us. For now we are looking at expanding, and we have pretty aggressive targets for this year. You've seen the number of customers who have been achieving it, and we believe that the numbers of this year are on track.

And, again, we are ongoing to be working with the government to evolve our agreement. We are one of very few foreign-backed investors there. There is (inaudible) there's a willingness from the government to increase the number of foreign investors, and they are doing now more promotions to get more investors into the country, which is always good news for us.



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Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

For the OpEx, I think we discussed this in the margin, which is basically, as you know, in Tunisia, we had some increased marketing expenses in Q4, and in Bangladesh as well. So this is the difference between the Q4 and the Q3 OpEx.

Operator

[Humphrey] (inaudible).

Unidentified Participant

Could you just give us an update on what's happening on Telecel [group]? I see you have some good subscriber growth. But at what sort of ARPUs are you seeing in that business?

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

As you said, we are seeing good subscriber growth. We're using the same strategy. Actually, in some of our markets we're increasing the ARPUs, not that the levels we would want them to be. It's still managed through our a sub-holding we've created only to focus on these markets. So we are giving them support, but it's people who are more focused on these smaller markets. We still see this, this year, sort of the same level of growth. We are trying to maintain the ARPU, so we don't see a lot of ARPU erosion, because from the position we are coming from, we will not be increasing ARPU but, as much as possible, would like to (inaudible).

Unidentified Participant

But do you have a number, an ARPU number that you are experiencing currently?

Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

It's [four] different countries.

Operator

There are no further questions at this time. Please continue. We would like to thank the team from Orascom Telecom. That seems to be it from the questions; if you would like to add anything else?

Aldo Mareuse - *Orascom Telecom Holding S.A.E. - CFO*

No, thank you.

Naguib Sawiris - *Orascom Telecom Holding S.A.E. - Executive Chairman*

Thank you very much.



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Khaled Bichara - *Orascom Telecom Holding S.A.E. - CEO*

Thank you.

Noha Khalil - *Orascom Telecom Holding S.A.E. - Head of IR*

Thank you, everyone, for joining. Bye-bye.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect.

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